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KENYA'S CAUTIOUS DEVELOPMENT PLAN

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Reprint Series: No. 17
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East African Journal August, 1966
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EAST AFRICA JOURNAL OFFPRINT — AUGUST 1966

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August, 1966

East Africa Journal

OFF PRINT
East Africa Journal 1966
Printed by East African Institute Press Ltd.

Kenya's Cautious Development Plan

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THE major economic objectives of post-independence development plans in Africa are usually to accelerate the rate of growth in the economy through a greater mobilisation of resources which have not been fully extended during the colonial period, and the co-ordination of development projects, getting priorities established from a national point of view. They mark a new pre-occupation with the greatest possible level of economic growth, to raise the living standards of the people.

The fuller mobilisation of resources is promoted by a development plan in several ways. A plan can be used to inspire people to put in greater efforts and to make greater sacrifices for the achievement of the plan targets. A plan can stimulate increased activity, with government putting more emphasis on economic growth. A plan can be important in encouraging investment, by increasing confidence and reducing uncertainty where the private sector is concerned. And a plan can help to attract more foreign aid, which is often easier

to negotiate for a country with a sound economic plan. In addition to all these general ways in which a plan helps to increase the use of available resources, a plan makes specific proposals to this end.

The co-ordination of projects into an integrated economic plan also contributes to an increasing rate of growth. Co-ordination is often particularly necessary within government, and a strong planning unit can undoubtedly have an important influence in getting priorities decided at a national rather than a ministerial level, and in getting the individual ministries to use economic criteria when drawing up their separate plans. The necessity to produce well-documented proposals for scrutiny by a planning unit may encourage the collection of more useful statistics in future as well. In the private sector, the mere listing of priorities can help to get development coordinated, though other economic policy instruments can be equally successful in getting the private sector to make the desired contribution to a national plan.

The revised Kenya Development Plan (1) supercedes the Development Plan 1964-70, (2) which was hurriedly put together as a general guide until a fuller plan could be written, (see pages 4-5, old plan). The new plan is a lengthy document, not because it provides a wealth of detail on the individual projects, but because there are many introductory statements of general principles, presumably included to promote a wider understanding of the development process; there is a good deal of repetition; and there are several descriptive and statistical sections on the performance of the economy in the recent past, which will be useful for those who do not have ready access to other government publications.

The plan shows most concern for co-ordination within Government, and while it outlines priorities for the private sector as well, there is little to say how the private sector will be

encouraged to fall in with these. The plan is realistic rather than ambitious in its overall targets, and while this may help in getting foreign aid and private investment, it is arguable that it is too modest to inspire a greatly increased national effort.

There is a marked difference in approach to planning between Kenya on the one hand and Tanzania and Uganda on the other. Both Uganda (3) and Tanzania have long-term plans, setting overall targets for 15 years, while concentrating on a detailed 5 year plan for the immediate future. Kenya makes no attempt to set long-term targets, and furthermore the Kenya plan puts more emphasis on revision and flexibility than the Uganda or Tanzania plans. The Kenya plan shows an encouraging concern for the implementation stage of the planning process, as well as the initial planning stage.

The most striking difference between the new and the old Kenya plans is in the rate of growth of monetary Gross Domestic Product (GDP) that is projected. The new plan proposes an annual rate of 7.1 per cent compared with the old plan's rate of 5.7 per cent. The growth rate achieved in Kenya from 1954 to 1959 was 7.5 per cent and although this slowed down considerably from 1959 to 1964, it does not seem unduly optimistic to aim for 7.1 per cent again now. Taking monetary and non-monetary GDP together, the overall rate of growth expected is 6.3 per cent which is identical to that of the new Uganda plan, but somewhat less than Tanzania's 6.7 per cent.

The level of investment needed to sustain this rate of growth is estimated at £325 million over the plan period, increasing from £35 million in 1964 to £83 million in 1970. This means that fixed capital formation will increase from 11.6 to 19.1 per cent of the GDP. Fixed capital formation averaged 22 per cent of the GDP from 1954 to 1959, reaching 24 per cent in 1955 and 1956, and it was only from 1959 to 1964 that it fell to the very levels from which it must now rise again. Here again the plan target does not seem over-optimistic.

The share of investment coming from abroad is expected to rise from 2 to 32 per

1. *Development Plan 1966-1970*, Kenya Government, 1966. Referred to in the text as "the new plan".
2. *Development Plan 1964-1970*, Kenya Government, 1964. See also D. P. Ghai: "How Good is Kenya's Plan?", *East Africa Journal*, July 1964.

3. *Uganda's Second Five-Year Plan 1966-1971*, Uganda Government, 1966.

cent with the deliberate creation of a balance of payments deficit to accommodate this, and domestic savings are expected to increase from 16.4 to 18.4 per cent of the GDP by 1970. Domestic savings are to be encouraged by a growth in savings institutions. Domestic finance is also to be increased by the substitution of domestic for foreign assets held by publicly controlled institutions, an increase in the fiduciary issue, and a small budget surplus by 1970. The extent to which Kenya intends to use taxation to finance development is very small, £3 million over the period of the plan compared with Uganda's £30 million and Tanzania's £8.9 million. It is likely that Kenya will be able to draw on larger fiduciary issues and more private savings than Uganda or Tanzania, though.

Over the plan period, Kenya hopes to get 56 per cent of the capital required from abroad, partly through foreign aid, and partly through private investment. Tanzania, which was counting on 52 per cent is already having difficulties in obtaining sufficient foreign capital, but Kenya may be in a better position to attract outside funds. Of the £107 million of foreign aid expected in Kenya for the public sector, 69 per cent is already committed or under negotiation. Of total investment, 55 per cent will be private and 45 per cent through the public sector.

The bottle-necks in real rather than financial resources are expected to be a shortage of skilled manpower and insufficient capacity in the construction industry. To these might be added the capacity of the transport system and in particular the port facilities at Mombasa. The plan recognises that difficulties with real resources may make it difficult to keep to the financial schedule, and there is some provision already in the plan for delays. The plan includes a government contribution of £200,000 for a national construction company, which is both to undertake construction on its own account, and to help in the setting up of more construction firms. There is a good deal of discussion of skilled manpower needs too. Paul Clark reminds us, writing about the shortage of skilled manpower: "... its effects are perhaps more likely to take the form of delays and mistakes by harrassed and inexperienced government officials administering

development activities than the form of a general lack of suitable people to fill operating positions throughout the economy". (4) The educational programme in the plan does not appear to be sufficiently closely related to precise skilled manpower needs, particularly below the university level.

A notable shortcoming of the Kenya plan is the lack of any overall feasibility tests, which could take the form of input-output tables, however crude, and also the lack of discussion of recurrent budget implications. Tanzania has already tried a table of economic equilibrium, and admittedly Tanzania is ahead of many other African countries in this respect, (5) but the availability of the relevant statistics in Kenya, together with the more complex interrelationships of the economy which make the exercise more worthwhile, would suggest that input-output calculations ought soon to be part of the planning process here.

Over the period of the plan, the structure of the Kenya economy is not to be changed very much. Kenya is not aiming for a radical reconstruction at present. The continuing predominance of agriculture, and the lack of emphasis on industrial expansion is surprising, even though in Kenya the agricultural sector is relatively well-endowed and diversified. The subsistence sector is expected to grow at the same rate as the population, a somewhat pessimistic assumption, and in the monetary GDP agriculture and livestock are expected to maintain their position, accounting for 16.5 per cent in 1970 as in 1964. Industry is expected to increase its share only from 10.4 to 11.5 per cent. The rates of growth of these two sectors are almost the same as they were in the pre-independence economy 6.8 and 8.0 per cent, which compares with the 1954 to 1964 figures of 6.4 and 7.6 per cent. In Tanzania and Uganda, where agriculture is not so diversified as in Kenya, the role of agriculture is expected to show a substantial decrease. Kenya's other sectors all show re-

4. P. G. Clark: *Development Planning in East Africa*. Nairobi: East African Publishing House, 1965.
5. R. H. Green: "Four African Development Plans," *Journal of Modern African Studies*, August 1965.

latively little change in their role in the monetary economy, except the construction industry which is expected to increase its role substantially from the depressed level of 1964.

Of total expenditure, 41 per cent is to be spent on the productive sectors, 37 per cent on infrastructure, and 19 per cent on social services. This compares with Tanzania's 36 per cent, 30 per cent and 28 per cent. (Uganda's figures are not strictly comparable here). Kenya seems to be putting rather little emphasis on the development of social services compared with Tanzania.

Perhaps the most serious failure of the plan is in respect of unemployment. The planners rightly feel that unemployment can only be dealt with within the framework of a rapidly developing economy, but within this framework there is a lot that can be done. The plan analysis that the economy is suffering from a lack of productive skills which makes labour expensive even at the low wage rates that exist is correct, but their remedies do not seem to go very far to alleviate the problem.

The independent government inherited a serious unemployment problem, and recorded employment was almost exactly the same in 1964 as it was in 1954. The growth of the economy between 1954 and 1964 had been achieved through the substitution of capital for labour, leaving employment virtually unchanged. The tax structure as well as the lack of cheap labour helped to encourage this, and there should be an immediate reversal to encourage the use of labour rather than capital in future, through taxation devices. Research into techniques of production that use relatively more labour and less capital is also suggested, and to this might be added a more serious move towards co-operation with other countries in Africa on this. All possible efforts should be made to encourage a more permanent labour force, and an effort should be made to relate the industrial training programmes to the maximisation of employment in future. In the longer-run family planning will help, but for the immediate future there will be rapidly increasing numbers of people to absorb.

The plan makes little attempt to estimate the numbers of people at present unemployed.

It is merely noted that no study has yet been undertaken in this area. One might go further and suggest the urgency of making a serious study of all aspects of the problem, which is probably Kenya's most serious political, social and economic problem today. The total employment likely to be created over the plan period outside peasant agriculture, with optimistic assumptions, will not even absorb the increase in the male labour force, let alone contribute to a reduction in the numbers of unemployed. The plan provides for an increase of 340,000 jobs, outside peasant agriculture, but estimates the increase in the labour force which needs these jobs at 400,000. The balance is expected to be absorbed in the peasant agricultural sector, but here again virtually nothing is known about the opportunities, and until some serious study is done this can be no more than an optimistic hope.

The plan is much better on Africanisation, which is also clearly a major political goal. The amount of resources diverted to the redistribution of ownership and participation in the economy rather than to any increase in production may seriously reduce the possibilities of attaining more accelerated growth targets. In agriculture, £10.8 million out of a total of £38.4 million central government expenditure, is to be devoted to the transfer of land from non-Africans to Africans and associated settlement scheme activities, expenditure which is not expected to lead to any substantial increases in production. The sum of £2.1 million will be spent on transferring large-scale farms to Africans intact, and £8.7 million will be spent on settlement schemes. Six thousand acres of mixed farming land have already been transferred to large-scale African farmers, and a further 250,000 acres is to be transferred during the plan period. There is also provision for the training of African large-scale farmers. One million acres of land has now been transferred to small-scale farmers on settlement schemes, and during the plan period there will be a further 100,000 acres only transferred in this way, but considerable expenditures will still be necessary to make the existing schemes work. (In the old Kenya plan considerably more future settlement was projected). Agri-

cultural development funds are to be allocated in increasing proportions to the African areas in future as well.

Commerce is rightly seen as a sphere where Africanisation is particularly important. Although numerically Africans are already strongly represented in commerce, the strategic commercial businesses still remain in non-African hands. The policy for commerce is almost entirely a policy for Africanisation, rather than development of the sector as a whole, and it includes the provision of extension services and training facilities, as pre-requisites for financial assistance which will in future only be given to those who are competent to use it well. This is a good order of priorities, and it is to be hoped that the training and extension services will keep far enough ahead of the new loans programme for these principles to be followed.

The policy for industry includes a good deal of encouragement of Africanisation, but the overall policy is necessarily one of expansion of the sector as a whole. Enterprises requiring high-level skills will be encouraged to provide for rapid training of Africans to fill the high-level posts; there will be various training advisory bodies to equip Africans with managerial and entrepreneurial skills, as well as technical skills required in industry; and increasing opportunities will be given to African construction enterprises through the National Construction Company.

There is little mention of the transport industry which is a particularly suitable area for Africanisation, but perhaps this is to come under the programme for commerce already discussed.

Several general criteria are given for choosing between different projects in the different sectors, but it seems that as yet little detailed project analysis has been done. The dangers of accepting foreign aid for projects that do not appear high in the list of priorities are expounded, but it is never very clear how projects are ranked and how carefully they are assessed for acceptance or rejection in the plan. Government is expected to give considerable assistance to private sector projects, and there are numerous competing possibilities in the field of normal government activities as well. It is important to develop reliable

ways of assessing the relative merits of different projects, and of deciding on priorities. This is as important in the industrial as in the agricultural sphere.

Government is to promote and encourage industrial expansion through financial participation in particular projects, through customs protection in the early stages, through tax concessions, and through guarantees. A major proportion of public funds allocated to the industrial sector is for the setting up of industrial estates in Nairobi, Eldoret, Nakuru and Mombasa. In general the private sector is expected to provide the initiative, though Government will prepare some feasibility studies of industrial projects in which private investors may be interested. The management and most of the finance for industry will also come from the private sector. There is some conflict between the maximum encouragement for private investment, and hence maximum profits, and a fair share for the employees, the consumers, and Government, which is not really resolved in the plan.

Agriculture as usual, contains the most detailed and advanced planning, (6) but there is a surprisingly heavy emphasis on production and a corresponding neglect of marketing activities here. Agricultural marketing is normally accepted as an important bottle-neck in developing countries, and Kenya has special problems with her national marketing organisations as well. With a serious crisis of confidence in the marketing of maize during the shortage last year, and the major inquiry that followed, it is disappointing to see the plan giving no indications on the future of the marketing boards. While being critical of co-operatives, it provides little constructive planning for these, and there is virtually no mention of the marketing of agricultural produce at the lower levels outside the co-operative area.

In production, there is to be an increasing emphasis on the former African areas, and a large proportion of funds allocated to these is to be spent on land consolidation. (7) This

6. Also noted by D. P. Ghai, *op. cit.*

7. "Land consolidation" includes both the consolidation of fragments and the registration of title which often takes place on its own.

is to get £4.4 million of the total of about £20 million going to the former African areas. Land consolidation is not a directly productive exercise but it is arguable that it is a precondition for development, and that the sooner it is done the less difficult it will be. It is quite possible that while consolidation is necessary and beneficial in some areas of Kenya, there are others where its introduction would be a waste, and there may even be cases where it can be shown to have positively harmful effects. The Government is probably right to concentrate on consolidation in selected areas, but it should be careful not to undertake consolidation indiscriminately.

The major agricultural development programmes include specific programmes for individual crops, tea, sugar, pineapples, passion fruit and wheat, which get £3.2 million; an ambitious smallholder credit programme involving £4.3 million for 3 per cent (30,000) of the farmers in the high-potential areas, "the 3 per cent comprising moreover, relatively progressive smallholders who are by definition already much better off than the rest" (p. 133); a range development programme for the pastoral areas; and an irrigation programme, mainly the extension and re-organisation of existing schemes. Altogether 59 per cent of the small-farm development expenditure is directly allocable to the high-potential areas, a large part of it to the more progressive farmers in these areas as well; 12 per cent to the pastoral areas in the range development programme; and 9 per cent goes on irrigation. Of the remaining 20 per cent it is likely that a large proportion will go on services to support the major development schemes. The programme is very unequal in its distribution. There is some justification for this if it is felt that Kenya cannot afford to be egalitarian at present, and the bulk of the resources must go to areas of high-potential where the returns are likely to be high to achieve the greatest measures in total production. The major failure of the agricultural programme is in its neglect to the famine problem. The famine areas, primarily the marginal agricultural areas which are heavily populated, get no

specific allocation of funds, and there are no proposals for the alleviation of their problems. The complete lack of any programme for these areas suggests either a surprising oversight, or an extreme pessimism about the ability to do anything to overcome the problems of famine.

The plan emphasises the importance of social as well as economic planning at several points. Thus: "This strategy in development emphasises a social approach to economic development . . .," and even "The concern with social change and improvement does not imply, however, any disregard for the economic criteria. . . ." This is an understatement. The plan is noteworthy for its concentration on economic rather than social gains, and neither in the overall allocations nor in the proposals for detailed projects is there any evidence of a social concern.

Education shows roughly the right emphasis on higher levels, and it is to be hoped that the political temptation for universal primary education will be resisted for some time to come, given the country's acute shortage of high-level manpower, and its relative inability to cater for the primary school leavers at present. While the overall balance looks right, there is clearly room for a much more careful exercise relating the country's educational spending to its economic and social needs. Educational policy can have an important impact on unemployment, on the skilled manpower bottle-neck, and on the social problems of people who have passed through some stage or other of the educational system.

Health receives less development funds than housing, which seems a surprising order of priorities, and while health centres are expected to increase in relation to population in the countryside, hospital beds will not keep pace.

It remains to be seen whether Kenya will ultimately be more successful than Uganda or Tanzania, fulfilling a realistic plan rather than falling short of one that is more ambitious. It may be possible for Kenya to be more ambitious in future, as confidence in development prospects increases, but as it stands, Kenya's plan, rightly or wrongly is undoubtedly the most cautious of the three.